

**TESTIMONY**  
**Before U.S. Congress**  
**House Subcommittee on Energy and Power**  
**Dan Shaefer, Chairman**  
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by

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My name is Jeff Hultman. I am the President and CEO of Electric Lite, Inc., a small startup power company based in Greenville, South Carolina. Thank you for allowing me to address the Subcommittee on Energy and Power. It is an honor to be here today.

Deregulation of the electric power industry is a subject that is near and dear to my heart. Without deregulation, my company cannot survive. Electric Lite is a new kind of power company. Our mission is to provide reliable, dependable power at reduced rates. In industry jargon, we are what is known as an aggregator. By buying large blocks of power on the wholesale market and reselling that power to our customers at a discount, we can give residential consumers the kind of leverage and bargaining power that large industries have used to drive industrial electricity prices to record lows.

The average South Carolina family pays \$85.64 a month — the *third highest* electricity bills in the United States<sup>1</sup>. The third highest. We also spend a higher portion of our disposable income on electricity than almost any other state.

Deregulation, and its promise of lower rates and greater efficiency will benefit South

Carolina's electricity customers more than just about any other customer in the nation.

South Carolina consumers spend more than \$3.6 billion dollars on electricity. Residential customers in South Carolina pay the third highest bills in the nation. A 20% reduction in their power bill will save most of our customers more than \$200 a year. It stands to reason that South Carolina would be on the forefront of the push for deregulation. We have the most to gain — and the most to lose if we don't deregulate. All three big power companies in South Carolina have said that they are prepared for deregulation. In fact, Jack Skolds, President of South Carolina Electric & Gas recently said that "SCE&G is ready for competition. We have been ready for five years."

So why are SCE&G and the other entrenched utilities fighting so hard to keep competition out of South Carolina? Why don't they want their customers to be able to choose their electricity supplier? Why have they spent millions and millions of

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<sup>1</sup> FERC form 861

dollars of their customers' money to mislead the public, stall deregulation and cast doubt on a company barely two months old?

The truth is that they were happy to say that they were ready for competition, that they wanted to treat their customers as though they already had a choice, as long as competition was still many years away. As long as deregulation was something that happened in California or Massachusetts, then South Carolina's electric companies were more than happy to crow about how they were prepared to compete, how they had become more efficient and customer driven, how they were ready to lower costs for their customers.

Then we arrived.

On February 10, Electric Lite officially announced its intent to compete for retail electricity customers. We began an aggressive advertising campaign designed to let South Carolina consumers know who we were and that we would like to save them 20% on their power bills. We simultaneously launched a targeted direct mail campaign that explained how we could provide that discount and that we couldn't sell power — or save them any money — until the Competitive Power Act was passed.

The Competitive Power Act (House Bill 3414) is the bill that will deregulate South Carolina's electric industry and give customers a choice of electric power providers. It was introduced by Representative Doug Smith from Spartanburg in February. Right now it is being considered by the House Labor, Commerce and Industry committee. It is closely based on model legislation from the American Legislative Exchange Council. However, the Competitive Power Act has been modified to suit South Carolina's unique characteristics. For example, it exempts co-ops, municipalities and Santee Cooper from competition. Co-ops serve a huge portion of South Carolina. They are customer owned and have brought power to areas that would otherwise have gone unserved. They should not be forced to compete until they are ready. Santee Cooper is a state-owned utility that carries so much political baggage that including it in the competitive environment would have brought the whole process to a screeching halt.

The Competitive Power Act also differs from legislation being considered in other states in that it provides for residential customers to receive the benefits of competition *first*. Once the Act is passed, residential customers can choose their power provider. Six months later commercial customers and small businesses get

the right to choose. It is not until a full year after the Competitive Power Act has passed that large industrial customers can competitively source their electricity provider. This tiered implementation program automatically negates the power companies' primary argument that competition will give big industry lower prices at the expense of residential customers. In fact, South Carolina's largest industries, including BMW, Michelin, 3M, Hoechst Celanese, Bowater, Milliken and others have endorsed the Competitive Power Act because they know that gaining the advantages of competition at the expense of residential consumers would be unfair and ultimately self-defeating.

But that hasn't stopped South Carolina's utilities from ignoring the facts and misleading the public — lying to the public — that residential rates would go up. In fact, they have mislead the public about a lot of things.

South Carolina Electric & Gas and its parent corporation SCANA, in particular, have launched a multi-million dollar state-wide campaign to mislead the public, stop deregulation and frighten customers away from Electric Lite.

They have said that Electric Lite's customers "may never be able to switch to another electric provider." And that they, "may not even be able to switch back to the one you have now." Not true.

The ads say, "it's no coincidence that the promise of 'big savings' is limited to one year...in the second year you could face rates jumping higher than ever to make up for first year losses." Not true. Electric Lite's customers are *guaranteed* at least 20% off their current bill for as long as they choose to be our customer. And no ones rates will go up as long as they have the right to choose their power company. It would be corporate suicide to try and raise rates when customers can, whenever they like, switch to another, lower cost provider.

We must give credit to Duke Power. So far they have taken the high road and not engaged in any of the unethical mudslinging and anti-competitive practices that the other two have been so quick to employ. Duke has been quietly preparing itself to compete effectively in a deregulated retail market.

SCANA and CP&L, however, have chosen to try to stop competition before it even begins. Their television commercials and newspaper advertising are deliberately misleading and are designed to confuse and frighten customers. They

ask questions like “How can this ‘new power company’ provide service when they don’t even have linemen or service trucks.” They know — and have known since the move toward deregulation began in 1992 — that companies like Electric Lite will contract for distribution service and maintenance of the lines with the incumbent utility or an Independent System Operator (ISO). We don’t need trucks and linemen and they know it. They are raising the specter of downed lines and power outages to frighten their customers. Their ads say “Overloads, outages, extended blackouts and long delays in restoring power after serious storms...those are just some of the consequences that could arise.” Anyone familiar with the power industry knows that this is so misleading as to border on the outrageous. What is even more interesting is that SCANA’s president, Bill Timmerman said at a recent Energy Awareness conference, “Reliability is not a concern in the open access market.” In front of industry experts he admitted the truth. We only wish he and the other utilities would do so with their customers.

Customer choice will have no impact on reliability. There is wholesale competition in place now. Utilities are now buying and selling power across the grid with no adverse effect on reliability. The Energy Policy Act made it a law that



utilities open their transmission lines to other utilities so they may purchase power on the open market. Customer choice of electricity provider would not change any aspect of this system. Under the present system utilities can buy electricity from any other utility, mark up the price and sell it to their customers, but want to deny the benefits of competition to their ratepayers.

In spite of the fact that the Competitive Power Act gives the current utilities a pretty soft landing — they are not required to divest their generation assets, they can keep their transmission and distribution facilities as independent business units, they are allowed to recover prudent, mitigated stranded costs — South Carolina's utilities have reached deep into their bag of dirty tricks to stop the bill and kill Electric Lite.

For example, Bill Timmerman, president of SCANA, recently sent a letter to shareholders that said, "The Competitive Power Act is a bad bill." Then he cited several reasons why he thought the Act was bad, including:

- Obligation to serve, safety, service and reliability are not addressed.
- Rates could go up for residential and small business customers.
- The ability to sell retail power outside the state is not allowed.

Each and every one of these statements is false. Obligation to serve *is* addressed, and Electric Lite is working with advocacy organizations to strengthen the guarantee that no one will go unserved. Safety and reliability are paramount in the bill. And reciprocity is fully addressed in Section 58-28-90 (C). The bill says, “The commission shall establish by regulation . . . conditions for the exchange of reciprocal rights.” And goes on to say, “Corporations located outside South Carolina may not be an electricity supplier within the State unless the electric distribution company has the reciprocal right . . . to serve a customer of the out-of-state corporation.” How could that be any more clear?

As for the threat that residential rates will go up under competition, every pilot program and every study that has ever been done on competition proves that residential prices will drop dramatically. The only study that doesn’t is the one that Carolina Power & Light paid for.

We are entering into a new era, an era of competition among electricity suppliers. The technology is in place to ensure that all customers have access to low cost power. Safety and reliability will remain as high as they are now and will increase as aging system components are gradually replaced with new equipment.

The regulatory system that was suitable and reasonable in 1922 now encourages the monopoly utilities to be inefficient. It is time to replace that system with customer choice.

Unnecessary delays penalize customers and hurt South Carolina's competitiveness as other states embrace competition. There will obviously be a transition period, but the sooner we begin the process, the sooner customers will benefit.

Electric utilities are already reaping the benefits of competition on the wholesale market. All three of South Carolina's monopoly utilities are selling power out of state at a lower price than they charge South Carolina customers. And they are still making substantial profits. Customer choice of electricity generator in an open market will:

- Force utilities to become more efficient and responsive
- Lower costs for all customers
- Create new service options
- Create new opportunities for economic development
- Improve South Carolina's competitive position in the global market

It will also provide an environment where companies like Electric Lite can compete on the basis of price, quality of service and innovation. However, that will never happen if monopolies like SCE&G and CP&L are allowed to use their 75 year relationship with regulators and their huge war chests to stifle competition and crush potential competitors before the process even begins.